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I&T 100 YEARS OF LEADERSHIP 1886-1986

Implement & Tractor

The business magazine of the farm and industrial equipment industry

DECEMBER 1986

How much does the boss make? page 10

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page 16

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ANDREA SCHWARZ SRI
CONGRESS INFO SVC - STE 800
4520 EAST WEST HWY
BETHESDA MD 20814

The rollback's here to stay

page 12

I&T 100 YEARS OF LEADERSHIP 1886-1986

Implement & Tractor

The business magazine of the farm and industrial equipment industry.

December 1986 • Vol. 101 • No. 14

Our cover story

Will dealers be selling parts for all makes? That's what's happening at the Dittamore dealership. While it took many hours of cross-referencing, the payoff has arrived, and the parts business is growing solidly. (Pictured, partsman Chris Nosdisch.)

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Features

8: **FIEI ponders restructuring,** globalization, technology. How can manufacturers cope with re-sizing to a changed market, a world market, and a high tech world? FIEI's convention looked at the issues from a new perspective.

10: **For dealers only:** How the boss is paid. An I&T survey shows that despite substantial declines in volume, manager salaries have held up fairly well.

14: **Competing with the majors:** A changing competitive climate is forcing shortline manufacturers/wholesalers to look for "niche" products to help them stay profitable.

24: **So why was everyone smiling?** Part of the reason, for those at the FEMA convention, was that diversification means many shortliners are no longer dependent on agriculture.

26: **Systematic diagnosis.** The idea is to take a logical approach to finding out what's wrong with the machine, rather than going for the repair of symptoms.

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Editorial, advertising and circulation correspondence should be addressed to: P.O. Box 1420, Clarksdale, Miss. 38614.
Telephone: 601/624-8503

EDITORIAL
Bill Fogarty, Editor
4210 Johnson Drive, Suite 100
Fairway, Kansas 66205
Telephone: 913/677-5728

Hembree Brandon, Managing Editor

CIRCULATION
Send change of address forms and circulation inquiries to:
Implement & Tractor
P.O. Box 1420
Clarksdale, Miss. 38614

ADVERTISING
Judy Flowers, Advertising Director
P.O. Box 1420
Clarksdale, Miss. 38614
Telephone: 601/624-8503

Midwestern and Eastern Advertising Representative:
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Chicago, Illinois 60606
Telephone: 312/726-1020

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INDUSTRY UPDATE

October sales: Plusses and minuses

The October flash report of the Farm & Industrial Equipment Institute showed a surge in U.S. retail sales of tractors over 100 horsepower, reversing to an extent the sharp decline reported for September.

Unit Retail Sales

	October			January-October		
	1986	1985	%	1986	1985	%
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	5,299	4,552	+16.4	54,648	50,703	+7.8
40 & Under 100 HP	3,170	3,547	-10.6	26,484	32,985	-19.8
100 & Under 140 HP	564	479	+17.7	4,439	6,437	-31.0
140 HP & Over	1,088	777	+40.0	8,125	8,766	-7.3
Total 2-Wheel Drive	10,121	9,355	+8.2	93,696	98,891	-5.3
4-Wheel Drive						
Under 200 HP	70	102	-31.4	457	738	-38.1
200 HP & Over	184	140	+31.4	1,127	1,410	-20.1
Total 4-Wheel Drive	254	242	+5.0	1,584	2,148	-26.3
Total Farm Wheel Tractors	10,375	9,597	+8.1	95,280	101,039	-5.7
Combines (Self-Propelled)	1,422	1,444	-1.5	6,568	6,352	+3.4
Balers (Bales under 200 lbs)	312	277	+12.6	5,345	6,556	-18.5
Forage Harvesters (Shear Bar Type)	386	398	-3.0	1,891	2,154	-12.2
Mower Conditioners	671	547	+22.7	10,038	10,358	-3.1

Hadskey named AIMRA president

Glynn Hadskey is the new president of the Agricultural & Industrial Manufacturers Representatives Association, succeeding Ted Stansbury. He took office at the group's October 22-24 convention at Las Vegas, Nev. Hadskey operates Short Line Sales, Baton Rouge, La.

Other new officers: Art Melcher, Melcher Equipment, Watertown, Wis., first vice-president; Bill Stephenson, Stephenson Agri-Sales, Poultney, Vt., second vice-president; Larry Dismore, Dismore & Associates, Scottsburg, Ind., secretary; and John Atkinson, Atkinson & Associates, Amherst, N.S., treasurer. Ted Stansbury, AG Marketing, Columbus, Ind., as past president, becomes board chairman.

Board members include Henry Chapman, Agri-Master, Milledgeville, Ga.; Bud Fuller, NW Ag & Industrial Agents, Gresham, Ore.; Bill Johnston, Johnston Sales Co., Mt. Vernon, Ill.; and Bob Gutzman, Gutzman Marketing, Wichita, Kan.

The group conferred its Manufacturer of the Year award on Great Plains Mfg., Inc., Assaria, Kan., in recognition of the company's marketing program, according to Frank Bistrom, AIMRA executive director.

Bistrom said the organization hosted 85 supplier companies at its semi-annual appointment session, which followed the convention of the Farm Equipment Manufacturers Association, also held at Bally's Grand Hotel in Las Vegas (see related story in this issue).

Bistrom told I&T the group plans another appointment session in advance of the International Lawn and Garden Power Equipment Exposition July 27-29, 1987, at Louisville, Ky.

AIMRA currently has 117 rep firms as regular members and 36 associate members.

Tenneco proceeds on Steiger buyout

Tenneco began its acquisition of Steiger Tractor, Inc., after receiving Justice Department notification November 7 that it would not seek to block Tenneco's tender offer.

Tenneco had previously announced it plans to consolidate Steiger operations with its Case IH subsidiary. Production and engineering of Steiger's four-wheel-drive tractors will continue at Fargo, N.D., while some administrative functions will be eliminated or transferred.

Steiger employs about 370 persons in North America. Case IH employs about 15,000 in North America and 28,500 worldwide.

Last of Ford's tractor production headed for Europe

Ford Tractor Operations has announced that its tractor plant at Romeo, Mich., will be phased out and all production moved to Europe by late 1988.

Production of three-cylinder agricultural tractors will be moved to Basildon, U.K., in 1987. Industrial tractor production will move to an as yet unspecified location in Europe by the end of 1988.

A Ford spokesman said Ford Tractor Operations had been developing an industrial plan that would involve product improvements and more efficient production, and that the decision to move production from Romeo to Europe resulted from this.

In October, the company announced the layoff of 114 workers at Romeo.

New venture: Imported used Kubota tractors

McConnell Manufacturing Company, Prattsburg, N.Y., has launched a program of marketing reconditioned Kubota tractors, originally sold on the Japanese market, through dealers in New York and Pennsylvania.

According to Ward McConnell, president, the company is committed to buying 50 tractors monthly from a Japanese trading firm that acquires the rebuilt units from a Japanese reconditioner. McConnell told I&T his firm has marketing rights east of the Rockies in the U.S. and in eastern Canada, as well as in the United Kingdom.

The imported units range in size from 15 to 35 horsepower. McConnell reported that the first week of meetings had produced 27 tractor orders by 11 Pennsylvania dealers. He estimated that volume could reach 2,000 units in a few years.

Briefly...

The downturn in farm debt that started in 1983 continued in 1985 and the first half of 1986, according to the Chicago Federal Reserve Bank. USDA estimates are that outstanding farm debt was $205 billion at the end of 1985, down 3.4 percent from a year earlier and 5.6 percent from the peak hit December 31, 1982. Excluding farm debt owed to the Commodity Credit Corporation, last year's decline was 7.7 percent.

(See Update, pg. 30)

Good times or bad: Boss must be paid

By Scott Nesbitt

SOMEWHERE OUT THERE in dealer-land is a guy making $190,000 annually as a 20 percent owner of a dealership that sells $10.4 million a year. Nice going!

Elsewhere is a guy who drew $5,000 last year on sales of $50,000. But that's not bad. Back in 1980, he did $500,000 in sales, ended with a loss of $8,000 and took no salary from the business at all.

The I&T survey asking, "How Much Does The Boss Make?" pulled in a whole range of dealers, 37 who filled in all the blanks, and a number who started filling it out, stopped part way, but sent in the card anyway.

The responses split neatly into two piles: 20 whose sales volume went down from 1980 to 1985 (we call them Shrinkers) and 17 Growers who saw their volume increase over those years. They gave us some interesting numbers that might help others see how they stack up when the wife asks for money to pay the bills at home.

The overview is that there's still a decent buck to be made in the business, and with all the turmoil and craziness of the last few years, there are just about as many winners as losers — at least among dealerships that have stayed in business through the first half of the decade.

Growers keep growing

The 17 who gained in sales did a fine job. Starting with average sales of about $1.8 million in 1980, they'd increased 68 percent to break just over $3 million in 1985.

The bottom line went from an average net of $67,000 in 1980 to $107,000 in 1985, a growth of 59 percent — just about keeping pace with the increase in sales.

But these bosses didn't get greedy, on average. Their average take-home, including salary, bonuses, etc., went from $37,789 in 1980 to $44,872 in 1985, an 18 percent increase that didn't bleed the business.

Some of these Growers did right well for themselves. A manager-partner with a 30 percent stake in one operation reported 1980 sales of $1 million, with a loss that year of $75,000, with growth by 1985 to $5.2 million in sales, and $150,000 in net profit. His reward was a boost from $19,000 in salary in 1980 to a $42,600 salary and $25,000 bonus in 1985, for a total take-home of $70,600. Who says the business is all bad?

For those who like to ogle "Lifestyles of the Rich and Famous" and do a little dreaming, consider the 58 percent partner in a dealership that went from $2.8 million in 1980 to $5 million in 1985.

The business went from a net profit of $29,000 to $259,792 (some guys like to get exact when they're bragging), and the old pay envelope swelled from $66,420.51 in 1980 to $95,125.55 last year. Congratulations!

And that big guy we mentioned at the outset of this report did well, too. His operation went from $6.2 million in 1980 to $10.4 million, but the net profit slipped from $650,000 to $590,000. And his salary plus bonus went from $170,000 in 1980 to $190,000 today. There's that conservative tendency among the Growers.

Maybe there's a management tip in what he noted on the survey: "Five active partners own and manage the sales, service, parts, financing and accounting departments of our business," which has been around 51 years, and which purchased a second store between 1980 and 1985. Perhaps they should join the popular craze in management books, and call it "Profit for Capitalists through Socialism." Way to go!

Shrinkers in a slide

An unusual observation popped up when we split the survey respondents into Growers and Shrinkers, and it may say something important to those who are wondering about the future.

Not one of the Growers was a dealer-principal. Each was some sort of partnership or family corporation, except for two that were managers for absentee owners.

Ten of the 20 Shrinkers were dealer principals. Nine of the others were manager-partners, and one was a manager and corporate vice-president.

The survey is a small one and shouldn't be considered "scientific" by any means — but that grouping along the lines of management structure raises a question about whether it's better to run a one-man show or to share the responsibilities.

The Shrinkers as a group seem to have lost the ground the Growers gained. Their average sales dropped

(See Survey, pg. 20)

	Growers (17 dealers) 1980	1985	Change (%)
Average Sales	$1,794,647	$3,017,529	+ 68%
Net Profit	67,337	107,399	+ 59%
Boss's Total Compensation	37,789	44,872	+ 18%
	Shrinkers (20 dealers)		
Average Sales	$3,129,552	$1,981,318	— 37%
Net Profit	107,286	15,290	— 86%
Boss's Total Compensation	40,635	36,636	— 10%

LETTERS

The Egg Test: Crawlers Overcame Compaction

To the editor:

I read in the October, 1986 issue of I&T, Frank Buckingham's article, "Where is Tillage Equipment Going?" with a lot of interest.

Deep tillage and multiple operation take a lot of power. Powerful wheel tractors are heavy, and the combination of weight and turning power and traction on the soil creates compaction. I notice you had a heading and considerable discussion on soil compaction.

The answer to soil compaction is a track-type tractor. We used to demonstrate by laying an egg in the loose soil and driving the Cletrac over it to show low compaction. I spent 14 years with the Cleveland Tractor Co., and then went with Ford-Ferguson, where we automatically transferred the weight and suction of the plow on the rear of the tractor to maintain traction as needed.

David A. Milligan
1565 Douglas Ave.
Racine, Ill. 53404

Survey (from page 10)

37 percent from just over $3.1 million in 1980 to $1.9 million in 1985. Net profit went down from $107,286 in 1980 to $15,290 in 1985, a plummet of 86 percent.

The boss's paycheck, on average, slipped 9.8 percent from $40,635 in 1980 to $36,636 in 1985.

Are there no bright spots left for these Shrinkers? Are they trapped in a downhill slide to extinction? Probably not.

Consider the corporate vice-president who said sales dropped from $1.9 million to $1.4 million, but the net profit line rose from $69,000 in 1980 to $97,000 in 1985. His personal fortunes slipped a bit, with the take-home going from $37,000 in 1980 to $34,000 in 1985.

That individual was the exception among the Shrinkers. The others shrunk in net profit, and seven of the 20 had taken a loss in 1985, compared to showing a profit in 1980. The biggest loss was a dealer who went from $1.9 million sales in 1980 to $1.4 million in 1985, and went from $18,300 profit to a loss of $108,200 in 1985. He noted that $55,000 of that loss was from bad debts. Oof!

But the main question here was the boss's salary, and the Shrinkers had some highs and lows.

Nine of the 20 had the same pay or took a cut between 1980 and 1985. The biggest pay cut was a dealer principal who took home $170,000 back then, and $44,000 last year, in keeping with the dealership's drop from $2.5 million to $1.7 million in sales. But he did hold up the bottom line, showing a 1985 net profit of $53,000, compared with $121,000 in 1980.

For 11 of the 20, there was a slightly larger paycheck despite the lower sales, with most increases being a few hundred up to about $10,000. One individual went from $57,000 in 1980 to $155,000 in 1985, after bonus money was figured in. Though the dealership had shrunk from $5 million to $3.8 million in sales, the net profit was $53,000 in 1985, against $135,000 in 1980.

Hanging up numbers like that, even in a slump, probably merits the big bucks. □

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Write In (14) on Reply Card

Electrical service skills growing in demand

WHAT'S THE HOTTEST topic in the training of agricultural mechanics? It's the demand for an understanding of electricity/electronics, according to Duane Schindler, professor in agricultural industries and services at the University of Minnesota Technical College, Waseca, Minn.

One of Schindler's teaching responsibilities is a course titled "DC Electrical." Earlier, this electrical coursework was taught along with AC electrical in a course, "Agricultural Electrical Equipment."

The DC course gets into such systems in greater depth, says Schindler. This is necessary because of the sharp increase in electrical monitoring and controlling circuits on modern tractors, combines, and other equipment in the past decade. Examples of equipment that increase the demand for electrical skills are forage harvesters, planter monitoring systems, combine and tractor monitoring and solenoid valving.

Schindler says there is concern by many dealers that their technicians lack the necessary skills to service these new electrical components efficiently. In training programs, he adds, it is often the most difficult subject. With the addition of new electrical/electronic components in ag machinery, the basic charging components have become larger, he says. The entire electrical system has to be maintained at a higher level than in the past.

The class Schindler teaches covers four major areas — charging systems, starting systems, ignitions and auxiliary.

INVENTORY WATCH

What's happening to stockpiles in relation to sales.

Equipment	Inventory Levels Aug. 31, 1985	Mar. 31, 1986	April 30, 1986	May 31, 1986	June 30, 1986	July 31, 1986	Aug. 31, 1986	12-Month Sales, Sept. 1, 1985 Aug. 31, 1985
Tractors								
Under 40 hp	39,808	58,306	59,947	54,041	52,089	50,905	52,872	60,222
40-99 hp	27,724	27,136	27,457	27,319	25,751	26,055	25,417	31,659
100 hp and over	24,123	20,509	19,510	18,400	16,247	16,989	16,783	15,176
Four-wheel drive	4,057	2,612	2,537	2,514	2,513	2,429	2,372	2,392
Total Tractors	**95,712**	**108,563**	**105,451**	**102,274**	**96,600**	**96,378**	**97,444**	**109,449**
S-P Combines	9,379	6,744	7,054	7,253	7,323	7,403	6,037	8,792

Source: Farm & Industrial Equipment Institute

Update (from page 5)

DEDEC DIESEL

Diesel operations set joint venture

Detroit Deere Corp. will be the name of a joint venture of Detroit Diesel Division of General Motors and Deere & Co. The venture will combine the diesel engine operations of both firms and will be based at Livonia, Mich. This is the logo (above) the venture will use. David Hopley, vice-president of Deere's engines group, will be president and Ludvik Koci, a GM vice-president and manager of DDA, will be board chairman of the joint venture.

Industry changes...

Ron Doetch is the new sales manager for ACRA-Plant Sales, Inc., Garden City, Kan. He previously was a sales representative for the company.

New manager of products application and engineering at **Weasler Engineering, Inc.**, West Bend, Wis., is Philip J. Little, and George Goering, formerly with Hesston Corp., is new vice-president of purchasing.

Sundstrand Corp., Rockford, Ill., has appointed David Pfiefle to vice-president of marketing and engineering for the Hydro-Transmission Division. He had headed the division's engineering operations since 1952.

Jim Sullivan has retired after 11 years as vice-president of engine sales, and 35 years total service with **Briggs & Stratton Corp.**, Milwaukee, Wis. Douglas W. Anderson is new sales vice-president for Briggs & Stratton's Engines Division.

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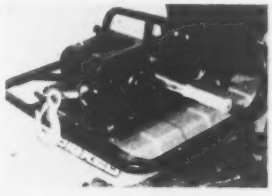
What's new (from page 21)



ATV manual winch has 1000-lbs. pulling power

J & M Supply is offering a manual winch for three or four-wheel ATVs. The manually operated ratchet will exert 1000-lbs. of pulling power, without battery drain associated with electric units. It has a heavy steel base plate with bolt hole pattern to fit Honda's Big Red, but can be mounted on any ATV with a front carrier rack using the steel mounting straps supplied. The ratchet handle stores flat on the base plate. The winch is supplied with 30 feet of steel cable with a spring-hasp closing hook. A vinyl cover is also included.

Write In (32) on Reply Card

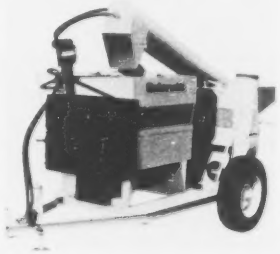
Four-row cotton picker announced by Case IH

Case IH has announced its model 1844 four-row cotton picker that features a basket that raises vertically and "meters" the cotton out, layer by layer, into a module builder or trailer, making what is said to be the most efficient unloading system on the market. This unloading system never shifts the center of gravity of the basket outside the main frame of the picker. The load is always distributed on the entire frame, not just one side, improving stability and reducing metal fatigue failures. Basket capacity is 24.5 cubic meters; picking speed is 5.6 kph.

Write In (34) on Reply Card

Automatic mill handles 2400 bph of shelled corn

Automatic Equipment's ATG 2400 roller mill will process up to 2400 bushels of shelled corn per hour. Equipped with a 40-in., 1000 rpm blower, the mill will also deliver processed feed to the top of the highest silo. The 2400 will also handle corn-cob mix, small grains, milo, or silage. Automatic's one-fast-roll principle gives greater capacity with less horsepower and provides self-cleaning action.



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